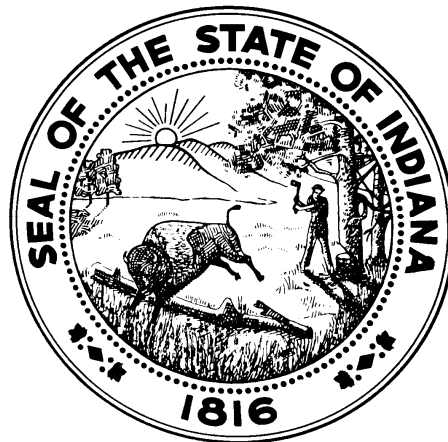


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL INVESTIGATION REPORT
OF

PROTSMAN ELEMENTARY SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2006 to January 8, 2008



FILED

07/15/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
School Corporation Officials.....	2
Transmittal Letter	3
Audit Results and Comments:	
Receipts Not Deposited.....	4-7
Additional Audit Costs – Receipts Not Deposited	7
Employee Blanket Bond	7
Sales Controls	7-8
Summary Collection Form (SA-8).....	8
Exit Conference.....	9
Official Response	10-12
Summary	13
Affidavit	15

SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cora Mollick Lorri Miskus	07-01-06 to 06-30-07 07-01-07 to 06-30-08
Director of Business Services	Dr. Thomas Dykiel	07-01-06 to 06-30-08
Superintendent of Schools	Dr. Janet Emerick	07-01-06 to 06-30-08
President of the School Board	John DeVries Howard Marshall Margaret Clark	01-01-06 to 12-31-06 01-01-07 to 12-31-07 01-01-08 to 12-31-08
Principal of Protsman Elementary School	Jack Thomas	07-01-06 to 06-30-08
Extra-Curricular Treasurer of Protsman Elementary School	Lucille Smith Karen Tarrant	07-01-06 to 03-14-08 03-15-08 to 06-30-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAKE CENTRAL SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited the records of Protsman Elementary School, for the period from July 1, 2006 to January 8, 2008, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments.

STATE BOARD OF ACCOUNTS

January 30, 2008

PROTSMAN ELEMENTARY SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

School Officials became concerned that daily receipts for sales of "Smencils" were not being deposited in full. An inventory of Smencils was taken, sales were calculated, and expected collections were compared to deposits. The procedures revealed that not all collection receipts had been deposited. School Officials then advised the State Board of Accounts of the concerns.

An audit of receipts to deposits revealed several instances of receipts that were not deposited:

1. The School purchased "Smencils," scented pencils, for resale to the students. The Smencils were purchased for \$0.50 and sold for \$1.00 each. The Smencils were kept behind a counter in the office and sold by either the Extra-Curricular Treasurer or the Secretary. Cash receipts from the sale of the Smencils were maintained in a cash box also kept behind the counter. The Extra-Curricular Treasurer, in addition to selling the Smencils, was responsible for purchasing the Smencils, preparing the official receipt for the daily sales, recording the sales in the ledger, and taking the cash receipts to the bank for deposit. During the period February 1, 2007 through December 19, 2007, 5,500 Smencils were purchased. Based on an inventory taken December 19, 2007, 5,125 Smencils were sold. Only \$4,257.18 of the \$5,125 collected for the Smencils, was receipted and deposited; \$867.82 in receipts was not deposited as follows:

Smencils Purchased	5,500
Inventory December 19, 2007	<u>(375)</u>
Smencils Sold	<u>5,125</u>
Smencils Sales at \$1.00 Each	\$ 5,125.00
Smencil Sales Receipted and Deposited	<u>(4,257.18)</u>
Smencil Receipts Not Deposited	<u>\$ 867.82</u>

2. The School conducted a fundraiser in the 2007-2008 school year. Payment for the products must accompany the orders. Two representatives from the fundraising company collected the orders, counted the payments received, and remitted the money to the Extra-Curricular Treasurer to be receipted and deposited. The School was billed for 50% of the total sales, and earned a 50% profit. Based on information obtained from the fundraising company, \$12,990 was collected and should have been receipted and deposited; however, only \$12,385 was receipted and deposited; \$605 in fundraiser receipts was not deposited as follows:

Fundraiser Collections	\$ 12,990
Fundraiser Collections Receipted and Deposited	<u>(12,385)</u>
Fundraiser Collections Not Deposited	<u>\$ 605</u>

PROTSMAN ELEMENTARY SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

3. The School purchased Agendas (daily planners) for resale to the students. The Agendas were kept behind a counter in the office and sold by either the Extra-Curricular Treasurer or the Secretary. Cash receipts from the sale of the Agendas were maintained by the Treasurer. The Extra-Curricular Treasurer, in addition to selling the Agendas, was responsible for purchasing the Agendas, preparing the official receipt for the daily sales, recording the sales in the ledger, and taking the cash receipts to the bank for deposit. Based on the number of Agendas purchased and an inventory taken January 16, 2008, 549 Agendas were sold for \$6 each during the 2007-2008 school year. Only \$2,697 of the \$3,294 collected for the Agendas was receipted and deposited; \$597 in receipts was not deposited as follows:

Agendas Purchased	615
Inventory January 16, 2008	<u>(66)</u>
Agendas Sold	<u><u>549</u></u>
Agenda Sales at \$6 Each	\$ 3,294
Agenda Sales Receipted and Deposited	<u>(2,697)</u>
Agenda Receipts Not Deposited	<u><u>\$ 597</u></u>

4. Students and staff ordered and paid the yearbook publishing company (the company) for 444 yearbooks for the 2006-2007 school year. An additional 36 yearbooks were ordered for a total of 480. The company collected the orders and the payments. The School received a commission check based upon the difference between the cost of the yearbooks and the payments received. The additional yearbooks were kept in the office and sold by either the Extra-Curricular Treasurer or the Secretary. Cash receipts from the sale of the yearbooks were maintained by the Treasurer. The Extra-Curricular Treasurer, in addition to selling the yearbooks, was responsible for purchasing the yearbooks, preparing the official receipt for the sales, recording the sales in the ledger, and taking the cash receipts to the bank for deposit. The additional 36 yearbooks were sold for \$14 each, a total of \$504; however, there were no receipts recorded or deposited for the additional yearbooks. Yearbook receipts of \$504 were not deposited as follows:

Additional Yearbooks Ordered	36
Inventory January 16, 2008	<u>-</u>
Additional Yearbooks Sold	<u><u>36</u></u>
Yearbook Sales at \$14 Each	\$ 504
Yearbook Sales Receipted and Deposited	<u>-</u>
Yearbook Receipts Not Deposited	<u><u>\$ 504</u></u>

PROTSMAN ELEMENTARY SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

5. The School offered "Spiritwear" to students and staff in both the 2006-2007 and 2007-2008 school years. Orders were required to be accompanied by full payment. The Extra-Curricular Treasurer was responsible for collecting the orders, placing the order, preparing the official receipt for the collections, recording the receipt in the ledger, and taking the deposit to the bank. Based on the number of items sold and the amount of profit per item, \$329 and \$136 in Spiritwear receipts for the 2006-2007 and 2007-2008 school years, respectively, was not deposited as follows:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>Totals</u>
Total Spiritwear Sales per Invoice	\$ 6,445	\$ 4,880	\$ 11,325
Spiritwear Collections Receipted and Deposited	<u>(6,116)</u>	<u>(4,744)</u>	<u>(10,860)</u>
Spiritwear Receipts Not Deposited	<u>\$ 329</u>	<u>\$ 136</u>	<u>\$ 465</u>

6. The School has a bookstore which offers paper, pencils, erasers and rulers. The bookstore items were kept in a separate room of the office and sold by either the Extra-Curricular Treasurer or the Secretary. Cash receipts from the sale of items were maintained in a cash box kept on the shelves with the items for sale. The Extra-Curricular Treasurer in addition to selling the bookstore items, was responsible for purchasing, preparing the official receipt for the daily sales, recording the sales in the ledger, and taking the cash receipts to the bank for deposit. Bookstore sales continue throughout the school year; however, there were no receipts or deposits of bookstore sales after the registration period for the 2007-2008 school year, from August 31, 2007 to January 16, 2008. Based upon the number of items purchased, the amount charged for each item, and an inventory taken January 16, 2008, during the period July 1, 2006 through January 16, 2008, \$163.46 in bookstore sales was not deposited as follows:

Calculated Bookstore Sales for Period	\$ 2,313.70
Bookstore Sales Receipted and Deposited	<u>(2,150.24)</u>
Bookstore Sales Receipts Not Deposited	<u>\$ 163.46</u>

7. The School collected textbook rental and educational fees from students which were remitted to the School Corporation. Several staff members collect textbook rental during the registration period and remit the payments and the textbook rental receipts to the Extra-Curricular Treasurer. After the registration period, the Extra-Curricular Treasurer collects textbook rental payments. The Extra-Curricular Treasurer is also responsible for preparing textbook rental receipts, compiling the daily textbook rental receipts and preparing an official receipt for each day, recording the receipts in the ledger and in each student's records and taking the receipts to the bank for deposit. \$294.00 in textbook rental receipts was not deposited for the period July 1, 2007 to January 8, 2008, as follows:

PROTSMAN ELEMENTARY SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Total Duplicate Textbook Rental Receipts	\$ 74,577.33
Textbook Rental Receipts Deposited	<u>(74,283.33)</u>
Textbook Rental Receipts Not Deposited	<u>\$ 294.00</u>

We have requested that Lucille Smith, Extra-Curricular Treasurer, reimburse Protsman Elementary School \$3,496.28 for the receipts that were not deposited as follows:

Receipts Not Deposited:	
Smencil Sales	\$ 867.82
Fundraiser Collections	605.00
Agenda Sales	597.00
Yearbook Sales	504.00
Spiritwear Sales	465.00
Bookstore Sales	163.46
Textbook Rental Receipts	<u>294.00</u>
Total Receipts Not Deposited	<u>\$ 3,496.28</u>

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ADDITIONAL AUDIT COSTS – RECEIPTS NOT DEPOSITED

Additional audit costs were incurred due to receipts which were not deposited in the amount of \$3,529.50.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EMPLOYEE BLANKET BOND

Lake Central School Corporation has Public Employees Position Schedule Bonds which cover their extra-curricular treasurers. The bonds are with The Ohio Casualty Insurance Company and provide \$25,000 of coverage for each treasurer.

SALES CONTROLS

Information was not presented for audit to indicate that inventories and reconcilements to purchases and sales concerning the sales of Smencils, Agendas, fundraising items, and bookstore items were performed.

PROTSMAN ELEMENTARY SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting.

Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUMMARY COLLECTION FORM (SA-8)

Protsman Elementary School began using the Summary Collection Form in May 2007; however, the forms are not prenumbered or in duplicate. The Treasurer numbers the forms when received from the sponsor or teacher.

Summary Collection Form (SA-8) is prenumbered and to be prepared in duplicate by the sponsor. The original is to the extra-curricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor.

A sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extra-curricular treasurer. Form SA-8 can be used at the discretion of school officials to account for other items. Form (SA-8) is to be used as a transmittal document each time money is reported from the sponsor to the extra-curricular treasurer. Space is provided to list check numbers and amounts as applicable. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

PROTSMAN ELEMENTARY SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2008, with Dr. Janet Emerick, Superintendent of Schools; Dr. Thomas Dykiel, Director of Business Services; Jack Thomas, Principal of Protsman Elementary School; and Lucille Smith Extra-Curricular Treasurer of Protsman Elementary School. The official response has been made a part of this report and may be found on pages 10 through 12.

February 5, 2008

Bruce Hartman
State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, Indiana 46204-2765

RE: OFFICIAL RESPONSE

Mr. Hartman:

In response to the Receipts Not Deposited:

Smencils: Initially, there was no formal inventory taken on the smencils. In addition, many people had access and sold smencils (office staff, teachers, aides). At the start of the 2007 school year, smencils were handed out by the principal without charge as incentive. Money for the smencils was placed in an unlocked, cash box left out most of the day. At the end of the day, the money remained in the unlocked box and placed in an unlocked drawer by whomever (me, clerical assistant, principal) and put in a room that was suppose to be locked at the end of the day. On occasion, the room was already unlocked when I arrived to work. If a large amount of money was collected (i.e. the cash box was full) it was deposited. If a student complained of a defective smencil, a replacement was given free of charge. Also, smencils were given free of charge by teachers as a reward. Some teachers purchased the smencils, some did not.

Fundraiser: The only money I receipted was the money given to me (cash or checks) by the people sponsoring the fundraiser. Money was given to me (cash or checks) by the people sponsoring the fundraiser. The money was recounted against the tally of the money they received. There was also a check and balance of the tally and the amount received. After the money was recounted, a receipt was issued. The money was always recounted with the clerical assistant present or sometimes counted by her alone. Once receipted, the money was deposited. Only once after the money was counted by me and the clerical assistant, it was off by \$100 and we showed the discrepancy on the receipt. This was the only way money was ever exchanged between the fundraiser sponsor and the office. One order was not paid for until picked up by the parent, but when the merchandise was picked up, she paid by check, and the check was deposited. Any student prizes rewarded were purchased by the school and paid for with the profit from the fundraiser.

Agendas: These agendas were not inventoried when received. They were sold by student volunteers at time of registration. It was discussed with the principal to have agendas sold by teachers as opposed to students, but students still sold the agendas. If there was a printing error in the agenda, the student would receive a replacement, free of charge. If a student could not afford an agenda, they were given one also at no charge.

The only money collected was what was given to me and receipted. Any agendas remaining at year end were thrown out.

Yearbooks: Money for yearbooks was never counted by me. The money was placed in an envelope and sent directly to the company. These envelopes were placed in a box on the office counter. The company selling the yearbooks would pick up the envelopes and yearbooks were distributed by the number of orders received. To my knowledge, approximately twenty extra yearbooks were ordered. We made sure that everyone who ordered a yearbook received a yearbook. Anyone who complained that the yearbook was flawed would receive another book and the flawed book was thrown out. Anyone unable to afford a yearbook was given one free of charge. Any remaining books were sold, usually with cash. This cash was placed in a "miscellaneous" cash envelope that was placed in my desk drawer. This miscellaneous cash was used to pay for miscellaneous school expenses. Some examples are: certified mailings, postage for student records that needed to be sent out that exceeded the postal limit, for students who were unable to afford field trip fees, or for students who could not afford to pay for class projects. I could not say what the exact amount was in this miscellaneous envelope, but any money remaining in the envelope at the end of the school year was placed in the bookstore cash box.

Spiritwear: Money received for Spiritwear was counted with clerical assistant present. These orders were never verified with the amount received. The amount of money sent in for the order could have been short money because of the failure to verify the orders. The money received was deposited. Any order I personally made for myself was free of charge as instructed to me by the Spiritwear company. Whatever order was placed by the students, those items were prepackaged by the Spiritwear company, picked up at the office by teachers or students, and then distributed to the students by the teachers. There was never any extra merchandise to be sold.

Bookstore: No inventory was ever taken on any of these supplies. Merchandise was always out in the open, accessible to anyone who walked by. At registration, these items were sold by students. Supplies were given free of charge to teachers for use in the classroom. Supplies were also given to needy students free of charge or with whatever money they had even if it was not enough. Money from bookstore sales was placed in an unlocked cash box and then also placed in the same unlocked drawer in the office at the end of the day. Money in this cash box was counted and deposited as needed and a receipt was placed with the records. At the end of the year, any money remaining in the bookstore cash box remained in the cash box over the summer and was never deposited. This was done so that there would be cash to start out with for the following year.

Book Rental: Parents collect book rental payments at registration. The money collected is counted, verified with book rental receipt, a receipted copy is given to the parent, and then deposited. Two NSF checks were received back from the bank, parents were notified. Unable to come up with the money, I was instructed by the financial director to send the checks to him in the corporate office and he would handle the matter. After

registration, any money received for book rental was receipted by me or the clerical assistant and then deposited.

In addition, any money ever collected was always counted in the open with other people present. Money was never counted in a separate room. After I went home for the day, other staff remained in the office, accessible to money and inventory. It was another staff member's responsibility to lock the door where money and some inventory was kept at the end of the day. As mentioned before, the door was sometimes unlocked when I arrived the next morning. There are at least six other staff members, to my knowledge, that have keys to the office. Prior thefts in the building had occurred and were reported to the principal. There was also a break-in at the school in 2007 where the room that contains the money and inventory was entered/broke into and also the drawers at my desk had been gone through. This was reported to the police.


I have been an employee of the Lake Central School Corporation for over twenty years. I have been wrongly accused of Receipts Not Deposited. I have not, nor have I ever, taken monies, other than my pay check, from the Lake Central School Corporation.

I should not be blamed, or held responsible for the Lake Central School Corporation's poor or lack of internal controls and/or too many employees and/or students having access, not only to cash, but also to inventory. I have always deposited any monies that I have ever received and cannot be blamed for any monies that I have not received.

I have consistently performed my job as I was instructed, implemented all suggestions made to me, and made suggestions when I felt that improvement was needed. I have always taken pride in my performance. I have made a commitment to the Lake Central School Corporation and would never jeopardize my reputation or my credibility.

This is my official response to the allegations presented against me.

Sincerely:

A handwritten signature in cursive script that reads "Lucille Smith". The signature is written in dark ink and is positioned above the printed name.

Lucille Smith

219-865-6024

951 Ivanhoe Lane

Dyer, Indiana 46311

PROTSMAN ELEMENTARY SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Lucille Smith, Extra-Curricular Treasurer:			
Receipts Not Deposited, pages 4 through 7	\$ 3,496.28	\$ -	\$ 3,496.28

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AFFIDAVIT

STATE OF INDIANA)
 Lake COUNTY)

I, Susan M. Lardino, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Protsman Elementary School, Lake Central School Corporation, Lake County, Indiana, for the period from July 1, 2006 to January 8, 2008, is true and correct to the best of my knowledge and belief.

Susan M. Lardino
Field Examiner

Subscribed and sworn to before me this 30 day of June, 2008.

Barbara J. Bortoli
Notary Public

My Commission Expires: MAY 19, 2016

County of Residence: LAKE

